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REPORT

OF A

Committee of the Stockholders

OF

THE WESTERN RAILROAD,

ON THE

MEANS OF OBTAINING FUNDS FOR A SECOND TRACK
FROM SPRINGFIELD TO ALBANY;

AND ON

THE CONDITION AND FUTURE MANAGEMENT OF THE SINKING FUND;

TOGETHER WITH

THE PROCEEDINGS OF THE STOCKHOLDERS THEREON.

BOSTON:

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R E P O R T.

To the Stockholders of the Western Railroad Corporation.

THE undersigned, a Committee of the Stockholders of the Western Railroad to whom were referred communications of the President of this corporation and the Hon. William Jackson, and who were directed to consider and report on the means of obtaining the necessary funds for constructing a second track from Springfield to Albany, either by the application to that object (with the consent of the Legislature) of the whole or a part of the Sinking Fund, or in such other manner as the Committee should judge expedient; and also to examine and report upon the present condition of the Sinking Fund, and to inquire whether any change is desirable in its present investment or future management,—having attended to this duty, beg leave respectfully to report, that they have carefully considered the views presented in the communications referred to them, and have availed themselves of the opportunity which has

been afforded, in different interviews with the President of this Company, of discussing with him his important suggestions, and learning in detail the reasons on which his conclusions, and those of the late Mr. Jackson, were based, in recommending that the Sinking Fund should be appropriated, with the consent of the Legislature, for extending the second track, and for the payment of the purchase-money of the Hudson and Berkshire Railroad, and for additional equipment, by applying \$459,578 of the Sinking Fund absolutely, and borrowing of it a sum not exceeding a million of dollars at six per cent interest.

While your Committee would not fail to give full weight to the reasoning of the President in the support of his recommendation, and appreciate the convenience and advantage which would result to the Company, to appropriate their accumulated earnings and savings through a series of years for defraying the cost of important and necessary additions and improvements to their property, and thereby save the risk attending the care and management of their very large and constantly increasing fund; and while your Committee are fully impressed with the difficulty always attending the negotiation of a loan or the collection of funds by the issue and sale of stocks; yet they think sufficient importance has not been given in the above-named communications to the objections which bondholders might take to this

appropriation of a fund, which was established for their security, as well as of the Commonwealth of Massachusetts and city of Albany.

It must be borne in mind that the Commonwealth of Massachusetts and City of Albany issued their scrip for the benefit of the Western Railroad; and the holders of this scrip, both in this country and in Europe, received it and parted with their money, on the pledge that a Sinking Fund should be established by the annual appropriation of a percentage of the income of the road, and by the accumulation of interest, "for," in the words of the statute, "the future purchase or final redemption of said scrip." Acts of the Legislature have been at different times passed, which have all been accepted by the stockholders, that this fund might be protected by every possible guard and security. The road and all its property, whether then existing or to be subsequently acquired,—including its franchise,—and the Hudson and Berkshire Railroad, were, contemporaneously with the issue of the scrip, mortgaged to the Commonwealth, as a security that the provisions of the Act in reference to the establishment and perpetuity of the Sinking Fund should be sacredly observed. The scrip was not issued at one time, nor by the authority of one Legislature; nor did the stockholders of the Western Railroad act hastily or without deliberation in accepting the different enactments of the Legislature establishing this

fund. From the year 1838 to this time, by many acts of the Legislature as well as of the stockholders, the Sinking Fund has been recognized as a sacred deposit for the purchase and redemption of the bonds. Every one interested in the stock of this Company has been confident that the great debt which was contracted to build the road, would, through the prudent provisions of the earlier friends of the Company who devised the Sinking Fund, be met without any sacrifice of their property. This has not only been a security to the holders of the bonds, but has been a great satisfaction and safeguard to the cautious stockholder, who otherwise would have feared to embark his own means, and those which were committed to him in trust, in an enterprise which might be overwhelmed at the maturity of the debt.

We do not intend to discuss in this report the question of the *policy* of making a disposition of the Sinking Fund different from that which was contemplated at its establishment, though we think many forcible reasons might be urged against changing a course of conduct which hitherto has been approved by our wisest men; while, in the confidence that it would be steadily adhered to, many persons are at the present time holders of our stock. To attempt this seems to us unnecessary, inasmuch as we are satisfied that the Sinking Fund exists for the security, not only of the State, but the bondholders; and, not forgetting

that the bonds were negotiated on more favorable terms for the Corporation than would have been the case if the pledge of the Sinking Fund had not been assured to our creditors, it seems clear that the bondholders are entitled to all the advantage of this security, and the stockholders cannot, however much it may be for their benefit, deprive others of their vested rights. In other words, we hold that, in the establishment of the Sinking Fund and in the negotiation of the bonds, there was a compact between the Company, the State, and the bondholders, that the Sinking Fund should be kept inviolate for the future purchase or final redemption of the scrip, and that it cannot be used for any other purpose except with the consent of all parties to the compact; and, as it is impossible to obtain the consent of all the bondholders to the application of the fund to any other purpose than was contemplated in its formation, we cannot, in justice to the bondholders, or with a reasonable hope that our petition would be granted, ask the Legislature to permit us to hazard the fund in the enterprise of the Western Railroad, however flattering may be the prospects of having remunerative returns for the investment, and however much the value of our property might be increased by the outlay.

Two other modes are alluded to, in the communication of the President, for raising the necessary means

for the required purposes, either of which your Committee would think much preferable to that of using the Sinking Fund. One is the negotiation of the bonds of the Company; and the other is the increase of the capital stock and issue of shares. The Company has now authority to increase its capital stock to the additional amount of one million of dollars; and they can, under the provisions of the Statutes of the Commonwealth, chapter 286 of the Laws of 1854, issue their bonds payable at periods not exceeding twenty years from the date thereof, for such amount as is required.

Your Committee think it injudicious to make any application to the Legislature at this time in furtherance of the interests of this Company, and are of opinion that there will be but little difficulty in providing all the means which it may be necessary to raise, from the sales of bonds bearing interest at the rate of five or six per cent per annum, or of stock to be taken by the stockholders or others at par, if the stockholders will authorize the Directors, at their discretion, to issue stock or bonds or obligations of the Company not exceeding one million of dollars in amount. We think it desirable to fix this limit, at present, to construction expenditures; and our opinion is confirmed by the President's judgment.

The second track should not be constructed except under favorable circumstances, and without any sacri-

fice of the interests of the Company. Care should be taken that the regular payment of dividends is not hazarded in making the extension; and, therefore, we would recommend that not a shovelful of earth should be moved, or a rail laid, until the money is provided to meet the expense of the work as it progresses; and no bond or obligation of the Company, or share of stock, should be sold at less than par. To perform the work economically, as we are informed by the President, three to five years will be required; and, during that period, with an improving money-market, we are confident that the necessary funds can be procured by the Directors in the manner designated by your Committee. We would not confine the Directors to either one of the courses we have recommended, as perhaps they may deem it advisable, during the term of construction, to adopt both measures for obtaining money.

Your Committee believed it to be necessary for the satisfactory execution of the trust reposed in them, to go over your entire road, and particularly to notice its condition between Springfield and Albany, and observe the operations of the line, that they might inform themselves of the necessity of a second track, and judge of the probable expense of its construction. They were met at Springfield and accompanied to Albany by your President, who took pains to give them all the information upon the subjects of inquiry

which, from his diligent and careful examination, and his experience, he was so able to afford. It appeared to us, both from information we derived through the officers of the Company as well as from our personal observation, that a second track was desirable for the economical and safe performance of the business of the Company. Over a considerable portion of the single track, from twenty-five to thirty trains pass in both directions daily; and as the passenger-trains have always the preference of the freight-trains in the order of running, and the latter trains are always subject to delay, not only the operatives of the trains, but the road-repairers, lose a great deal of time in waiting for trains which are overdue. The extra quantity of fuel that is necessarily consumed on account of the detention of trains; the increase of speed, so destructive to machinery and rails, and the less number of cars that can be attached to a train, on account of the necessity of making time and keeping out of the way of other trains; the great danger of accidents; the recklessness in the care of the equipment, and in the management of affairs, engendered by doing business disadvantageously; the losses to property which happen from exposure and length of time it is on the road; the protraction of risks, which, as common carriers, we are obliged to assume; the lack of ability to despatch with promptness and safety business which otherwise would be entrusted to the

Company,— all are weighty objections to doing business on a single track, and all tend to prove the necessity of making this great thoroughfare complete in its appointments, if we would secure for ourselves the advantages of our position, and at the same time seasonably and prudently prepare ourselves to withstand competition, both by water and by existing railroads, and those which possibly may be constructed with an advantage over our road in distance or grade.

We observed in our examination, that, the bridges, culverts, and masonry having been nearly all constructed for a double track, but a very little expense would be required for these objects, and comparatively but a small amount for grading. The superstructure will require the chief part of the expense ; and, with the present cost of iron, it is estimated by the Directors that less than ten thousand dollars per mile will complete the work. We are satisfied that a double track must very soon be laid to meet the public wants ; and as we are assured by the President and others, who are not only conversant with the business of the road, but are eminently qualified to judge of its wants, that the expenditure for a second track will increase rather than diminish the ability of the Company to pay dividends, we concur in the opinion of the Directors that a second track should be built, provided it is done gradually and prudently, and without sacrifice to the Company.

Your Committee have examined all the investments

of the Sinking Fund, the books of account and vouchers of the Commissioners both at Albany and in Boston. We are gratified at being able to report, that we find both the Massachusetts and the Albany Sinking Funds generally safely invested, and in the hands of gentlemen of proved integrity and known ability, who deserve the entire confidence of the stockholders.

Some changes we should, however, recommend in the investments and future management of the funds, having regard not only to their present large accumulation, but especially to their great probable increase.

Of the Massachusetts fund we find a portion is invested in railroad stocks, of the following description, and valued in the estimate of the fund by the Commissioners' report at the sum set against each description of stock, viz.:—

145 shares of Boston and Providence Railroad, at \$99.56	\$14,437.00
341 shares of Boston and Worcester	, , 105.43	35,953.23
44 shares of Boston and Lowell	, , 597.69	26,298.75
205 shares of Pittsfield and N. Adams	, , 97.78	<u>20,045.50</u>
		\$96,734.48

It is obvious that a large loss would ensue if these stocks were sold at the present time; and though the entire cost of these stocks may eventually be realized (though we think it improbable), yet we are of the opinion that the Sinking Fund should not be invested in any other than those securities which are sure of an income, and are not exposed to the hazards of business. If the Sinking Fund is to be hazarded in

railroad business, one can scarcely see what better investment there is for it than in the stock of the Company the Commissioners are precluded from selecting, viz., that of the Western Railroad. When a good opportunity offers, we hope the Commissioners will change these investments to those more reliable for income and less variable in value.

We further notice that the Massachusetts Commissioners have loaned two hundred thousand dollars to the Connecticut River Railroad, without a mortgage of its property or collateral security. Though we believe this investment is safe, as the Connecticut River Railroad Company have no other funded debt, and but a small floating one, yet we doubt the propriety of loaning to any person or corporation without security; and the fact that the entire funded debt of this Company is included in the Sinking Fund calls for greater care, and a more intimate acquaintance with its concerns on the part of the Commissioners, than would be required if others were associated with them as creditors of the Company.

The Massachusetts fund has in notes secured by mortgages, \$205,591.91, represented by fifty-one different mortgages. Many of these are past due; and, in some cases, the makers of the notes are dead or have become bankrupt, though it is believed that in almost all cases there is sufficient property mortgaged to secure the debts.

We find but little, if any, objections to the securities of the Albany Sinking Fund, which in part consist of \$294,317, represented by more than one hundred mortgages, all upon real estate in the city of Albany. Some of these mortgages are to secure loans as small as five hundred dollars each; and, if the Commissioner who has the immediate charge of the fund was not very painstaking, losses might ensue from these small and troublesome investments. The entire amount of the Albany investments, we believe, will be collected.

We are happy to state, that generally the interest on the loans in both funds is punctually paid, and but a small amount is now overdue.

Since the year 1846, no investments have been made by the Massachusetts Commissioners, without the approbation of the President of the Company having been first obtained.

Your Committee would recommend that the Commissioners be requested to demand payment of all the loans which are overdue, and where the promissors have failed or died, and where the small amount of the loans imposes more trouble in the care of the investment than the Commissioners can be expected to bestow. In all cases when the loans, which are past due, are desirable, the mortgage notes should be renewed, or the amount collected and invested as soon as a favorable opportunity is presented for making permanent investments.

We have observed some cross charges made in the books of the Massachusetts Commissioners in former years, where a gain or loss on a stock, when the stock has been sold, is arbitrarily charged to another stock, so that the true cost of the stock does not appear in the report of the Commissioners. It would seem proper that a profit-and-loss account should be kept in the books of the Commissioners; so that, when one description of stocks is disposed of, the books will show the gain or loss attending the transaction.

Upon examining the books of account which have been kept by the Treasurer of the Commonwealth of Massachusetts of the Massachusetts fund, and by the Commissioner at Albany of the Albany fund, we find that improvements are needed in the manner of keeping the accounts growing out of the increase of the funds; and we would recommend that new books of account be opened both by the Massachusetts and the Albany Commissioners, and that the old books be re-written, so that all the past and future transactions in regard to the funds may be fully explained and systematically entered. This we recommend, as the labor will not be considerable; and though all the transactions have undoubtedly been entered, yet the system of accounts at first adopted, and which has been followed by subsequent Commissioners, does not comport with the magnitude of the funds,—not explaining the Commissioners' proceedings in the most intelligible manner.

Your Committee, after their examination of the Sinking Fund, are impressed with the fact that the stockholders should do every thing in their power to give additional security to, and impose all salutary checks upon, the management of these large and constantly increasing funds. It is no trifling duty to manage carefully such large sums of money as are entrusted to the Commissioners; and those gentlemen require all the assistance that the Company can afford them in discharging their important trust. It has seemed to us, in view of the future management of these funds, that it would be wise for the stockholders to take measures to inform themselves more intimately in regard to these funds than they have hitherto, and seasonably to adopt all proper precautions that their interests may be carefully guarded. We have, therefore, upon consultation with the Commissioners and with several of the chief officers of the Company, and with their approbation, thought proper to recommend the appointment by the stockholders, annually, of a person from their number, of skill and experience, who should supervise the condition of the fund and its investments, and suggest to the Commissioners such changes therein from time to time, and such investments of the property, as would be in the opinion of the supervisor desirable, and report to the stockholders annually as to the situation of the fund and in regard to any changes therein which

might seem to him advisable. This person should receive from the Company a suitable compensation for his services, the amount of which might be left to the Directors to determine. By such a provision, the Commissioners, though they alone are empowered by law to manage the fund, yet could have the advantage of the opinion of a person enjoying the confidence of the stockholders in making or changing the investments; besides which, a proper check would exist against any possible future mismanagement. As one of the Commissioners, and he who chiefly manages the fund, is the appointee of the Directors, no possible objection could be effectually raised to the stockholders' supervisor examining the funds, and having all proper influence by his suggestions, advice, and action, in protecting your property.

Your Committee desire to acknowledge the obliging offices of the President and the different officers of the Company, and of the Commissioners both of the Massachusetts and the Albany Sinking Funds, in affording them all necessary facilities in the discharge of their duties.

All which is respectfully submitted.

FRANCIS B. HAYES,
J. INGERSOLL BOWDITCH,
J. J. DIXWELL, } Committee.

BOSTON, March 7, 1855.



STOCKHOLDERS' PROCEEDINGS.

At the annual meeting of the Western Railroad Corporation, held, according to adjournment, at the office of the Corporation in Boston, on Wednesday, March 7, 1855, at 10 o'clock, A.M., —

The Report of the Committee to whom was referred the communication of the President on the mode of obtaining the necessary funds for the completion of the second track, and the letter of Hon. William Jackson on the same subject, and who were also instructed to examine and report upon the present condition of the Sinking Fund, and whether any change is desirable in its present investments or future management, was read, accepted, and ordered to be printed.

Resolved unanimously, that, in view of the rights and interests of the bondholders and other parties in interest, it is inexpedient that any part of the Sinking Fund shall be diverted from its original purpose.

Resolved, that a Supervisor of the Sinking Fund be appointed by the Stockholders, in accordance with the recommendations contained in the Committee's report.

Thereupon, J. Ingersoll Bowditch, Esq., of Boston, was unanimously chosen by the Stockholders of the Company to fill the office of Supervisor.

Ordered, that the Directors be authorized, at such time or times as they shall judge expedient, to increase the capital of this Corporation by the issue of new shares therein ; and also to issue bonds or obligations of the Corporation, bearing semi-annual interest not exceeding six per cent per annum ; said stock and bonds to be issued in such proportions as the Directors shall think proper, but not to exceed in the aggregate, exclusive of interest, the sum of one million of dollars, which is to be appropriated to the completion of the second track, the purchase of the Hudson and Berkshire Railroad, and other construction and equipment purposes of our line of railroad. And that the Directors dispose of such stock or bonds as they shall find occasion, with a due regard to the rights and interests of the present Stockholders ; provided that no part of said stock or bonds shall be sold at less than the par value thereof.

Ordered, that the thanks of the Western Railroad Corporation be presented to the Committee who have this day presented a report on the second track, and on the condition and management of the Sinking Fund, for their faithful and valuable services.

Attest,

ELLIS GRAY LORING, *Clerk.*

